

EXHIBIT

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FOIA CONFIDENTIAL TREATMENT REQUESTED

October 5, 2015

VIA OVERNIGHT MAIL ONLY

K. Brent Tomer, Esq.
Trial Attorney
Commodity Futures Trading Commission
140 Broadway, 19th Floor
New York, NY 10005

Re: Effex Capital, LLC
John Dittami

Dear Brent:

I. Introduction

As initially discussed in your offices on August 18, and in our more recent discussions, Effex Capital, LLC ("Effex Capital") and John Dittami are providing this letter and exhibits in connection with the Division of Enforcement's ("Division") questions regarding the ownership structure of Effex Capital raised in connection with the subpoena issued to John Dittami. Set forth below is a summary of certain information we believe will be helpful in assisting the Division to better understand the ownership structure.

II. Employment with FXCM

In the spring of 2009, following the conclusion of his employment as Global Head of forex trading at Sun Trading Group, LLC, a high frequency proprietary trading

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firm located in Chicago, Mr. Dittami began to explore a number of trading-related ventures and opportunities. Mr. Dittami's professional career is more fully described in Exhibit A. *See* Exhibit A, Background of John Dittami. It was during this time that he was introduced by a long time business acquaintance to principals of Forex Capital Markets, LLC ("FXCM"). Following a series of meetings and negotiations, Mr. Dittami agreed to become an employee of FXCM.

An employment agreement was entered into between FXCM and Mr. Dittami effective September 4, 2009 ("Employment Agreement"). *See* Exhibit B, Employment Agreement. FXCM agreed to make \$3,000,000 available to establish infrastructure, computer systems and resources to fund the project described in the employment agreement. *See* Exhibit B, Section 2. In consideration of his efforts, Mr. Dittami was to receive an annual initial salary in the amount of \$250,000 plus 30% of the profits from the venture (*See* Exhibit B, Sections 4 and 5).

III. Effex Capital, LLC

FXCM and Mr. Dittami terminated the employer/employee relationship in April of 2010. Mr. Dittami and his team thereafter proceeded with the continued build out of the technology and development of the forex institutional liquidity trading system through Effex Capital. Effex Capital was formed by Mr. Dittami on March 23, 2010. *See* Exhibit C, Certificate of Formation for Effex Capital, LLC. Through a Services Agreement dated March 1, 2010, it was agreed that Effex Capital would provide forex pricing services to FXCM through its proprietary execution technology. *See* Exhibit D,

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Services Agreement dated March 1, 2010, between Effex Capital and FXCM. The Services Agreement dated March 1, 2010, was replaced by the Services Agreement dated May 1, 2010. *See* Exhibit E, Services Agreement dated May 10, 2010.

At the time of its formation, John Dittami owned 100% of the membership interests in Effex Capital, and within months of its formation he allocated small interests to three persons (Christopher Meyer, Andrew Wilson and James Bradley) who were key contributors at Effex Capital. Over time, a total of four persons (Christopher Meyer, Andrew Wilson, James Bradley and Darshan Garimella) were allocated small membership interests in Effex Capital. None of the foregoing persons were ever affiliated with FXCM. In December of 2012, the John Dittami 2012 Dynasty Trust was established for the benefit of Mr. Dittami's children, and it became a 28% owner of the membership interests in Effex Capital. Since March of 2010, Effex Capital has hired approximately 30 full time employees, consultants and independent contractors. *See* Exhibit F, Employees/Consultants/Independent Contractors.

Under the terms of the Services Agreement, FXCM and Effex Capital recognized that their business arrangement would not be a partnership or joint venture, and neither would have the authority or power to bind the other. *See* Exhibit D, par. 16. Effex Capital and John Dittami did not receive payments from FXCM, its employees or principals. Finally, and as set forth in the Sworn Statement of Sheldon N. Abrams, Effex Capital's audit firm, there is no evidence of any membership interest owned by FXCM or its principals. *See* Exhibit G, Sworn Statement of Sheldon N. Abrams.

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Effex Capital conducts business out of its main office in Jersey City, New Jersey. It also has maintained branch office locations in Tokyo, Japan and Belfast, Ireland and has had employees in California, France, and Florida at different times. Effex Capital has transacted business with over 30 different regulated entities, some of whom are direct competitors with FXCM and FXCM affiliates. Effex Capital has strategically co-located a server for FXCM at NY7 (New York), and has also co-located servers at other strategic locations, including LD4 (London), TY3 (Tokyo) and NY2/4 (New Jersey), in order to support its business and growth outside of its business with FXCM.

IV. Conclusion.

Mr. Dittami's relationship as an employee of FXCM began in September of 2009, and ended in April of 2010. In March 2010, Mr. Dittami formed Effex Capital. Effex Capital hired employees, established a prime broker relationship, secured office space, opened bank accounts, opened offices in various locations and capitalized Effex Capital to satisfy prime broker requirements. Since its inception, Effex Capital has hired approximately 30 full time employees, consultants, and independent contractors, and has transacted business with many other institutions.

From time to time, a handful of key Effex Capital personnel have owned small percentage membership interests in Effex Capital. Effex Capital is operated independently, and is not controlled, directly or indirectly, by FXCM or any of its principals. As indicated in the respective operating agreements of Effex Capital, which were tendered in response to the subpoena, and as reflected in the Sworn Statement of

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Sheldon Abrams, no FXCM principal or employee has ever maintained an ownership interest in Effex Capital. Nor has Effex Capital or John Dittami ever had or maintained any stock or ownership interest in FXCM.

If you have any questions or need clarification regarding any of the matters set forth above, please call me.

Sincerely,



Jeffry M. Henderson

JMH/alc
Enclosures

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